

## 95TH GENERAL ASSEMBLY

### State of Illinois

2007 and 2008

HB4611

by Rep. Constance A. Howard

#### SYNOPSIS AS INTRODUCED:

New Act

Creates the Housing Stabilization Act. Directs the Illinois Housing Development Authority to establish and administer a program under which the State shall guarantee refinancing loans to homeowners who are either in foreclosure or at risk of being in foreclosure. Provides that the State shall guarantee these loans for 5 years, at which time, if the homeowner is current and has not gone more than 30 days past-due more than 3 times during the first 60 months of the refinancing of his or her mortgage, the State's responsibility to guarantee the loan shall cease. Provides that if at the end of 5 years the homeowner is not current or has gone 30 days past-due more than 3 times, the State shall continue to guarantee the loan for an additional 36 months. Provides for a State guarantee of up to \$3,000,000,000 each year for 3 years. Sets forth qualifications for homeowners and banks to participate in the program and other features of the program. Effective immediately.

LRB095 17891 DRJ 43971 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning housing.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the  
5 Housing Stabilization Act.

6 Section 5. Purpose. It has been estimated that 200,000  
7 homeowners in the State of Illinois are at risk of losing their  
8 homes due to foreclosure. If these events were to occur, the  
9 impact on municipalities across Illinois would be devastating.  
10 Local tax bases would be affected, and local school districts  
11 could be undermined. The property values in thriving  
12 middle-class neighborhoods could destabilize, due to high  
13 numbers of vacant properties in these areas. The purpose of  
14 this Act is to head off this catastrophe before it happens.

15 Section 10. Definitions. In this Act:

16 "Authority" means the Illinois Housing Development  
17 Authority.

18 "Program" means the refinancing loan guarantee program  
19 established under this Act.

20 Section 15. Refinancing loan guarantee program.

21 (a) The Authority shall establish and administer a program

1 under which the State shall guarantee refinancing loans to  
2 homeowners who are either in foreclosure or at risk of being in  
3 foreclosure. Under the program, the State shall guarantee a  
4 refinancing loan for 5 years, at which time, if the homeowner  
5 is current and has not gone more than 30 days past-due more  
6 than 3 times during the first 60 months of the refinancing of  
7 his or her mortgage, the State's responsibility to guarantee  
8 the loan shall cease. If at the end of 5 years the homeowner is  
9 not current or has gone 30 days past-due more than 3 times, the  
10 State shall continue to guarantee the loan for an additional 36  
11 months.

12 (b) The State shall guarantee up to \$3,000,000,000 in  
13 refinancing loans under the program each year for 3 years after  
14 the effective date of this Act. Thereafter, a State guarantee  
15 of additional loans is subject to legislative approval.

16 Section 20. Homeowners; eligibility to participate in  
17 program. A homeowner is eligible to participate in the program  
18 if he or she meets all of the following requirements:

19 (1) He or she is a resident of Illinois.

20 (2) He or she occupies, as his or her primary  
21 residence, the home that is the subject of the mortgage  
22 that is to be refinanced.

23 (3) He or she has occupied that home for at least one  
24 year.

1       Section 25. Banks; eligibility to participate in program. A  
2 bank is eligible to participate in the program if it meets all  
3 of the following requirements:

4           (1) It is headquartered within the State of Illinois.

5           (2) It agrees to offer the refinanced mortgages under  
6 the program for terms of 30 years at no more than 250 basis  
7 points above the prime interest rate at the time the  
8 refinanced mortgage is offered.

9           (3) It has been certified by the Authority for  
10 participation in the program.

11       Section 30. Financial requirements.

12       (a) A refinanced mortgage payment under the program may not  
13 exceed 40% of a program participant's net monthly income  
14 averaged over the 12 months prior to the participant's  
15 application to participate in the program. An applicant who  
16 does not meet this income requirement may "buy down" the debt  
17 to qualify for the program in accordance with rules adopted by  
18 the Authority. An applicant may not, however, finance or borrow  
19 the funds for a "buy-down" from any financial or lending  
20 institution. The "buy-down" funds may be in part or whole a  
21 gift from friends or family or another interested party. It is  
22 the participant's responsibility to verify to the lender that  
23 "buy-down" funds are not loans.

24       (b) A program participant may roll 90% of all refinancing  
25 fees into the mortgage.

1       Section 35. Foreclosure.

2       (a) A bank participating in the program may not attempt to  
3       foreclose on any program loan before the loan is 120 days  
4       past-due. During that 120-day period, interest shall continue  
5       to accrue.

6       (b) If, during the first 5 years of participation in the  
7       program, it becomes necessary to foreclose on a property, the  
8       bank must try to sell the property within 180 days. During that  
9       180-day period, interest shall continue to accrue.

10      (c) After the passage of the 180-day period described in  
11      subsection (b), all interest stops and the bank may apply to  
12      the State for the State to take possession of the property. If  
13      necessary as determined according to rules adopted by the  
14      Authority, the State shall contract with a company to sell at  
15      auction any property that has reverted to the State under this  
16      subsection. Auctions under this subsection shall be held  
17      quarterly.

18      Section 40. Delinquency due to circumstances beyond  
19      homeowner's control. If at any point during the first 60 months  
20      of a loan under the program, if a homeowner becomes delinquent  
21      due to circumstances beyond his or her control (including,  
22      without limitation, job loss or catastrophic illness), the  
23      homeowner may request that his or her loan be converted to an  
24      interest-only loan for a period of up to 12 months, during

1     which time the principal shall be recalculated back into the  
2     original loan. At the end of the 12 months, the loan shall  
3     automatically revert back to the 30-year fixed loan at the  
4     original interest rate. A homeowner may take advantage of the  
5     provisions of this Section only once during the life of the  
6     loan.

7             Section 99. Effective date. This Act takes effect upon  
8     becoming law.